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SUBJECT: AIR FRANCE CEO ON AVIATION SECURITY AND
TRANSATLANTIC OPEN SKIES

REF: Paris 4921

SUMMARY

¶11. (SBU) During a wide-ranging discussion with the Ambassador over breakfast October 20, Air France CEO Jean-Claude Spinetta called for enhanced cooperation and greater efficiency in the operation of international aviation security programs, and highlighted Air France's strong interest in successful US-EU Transatlantic Aviation Area negotiations. Spinetta reviewed his frustrations with the No Fly system, but offered Air France as a possible pilot program partner for overseas testing of the proposed Secure Flight advance name check system.

¶12. (SBU) Spinetta sees as "extremely important" the successful conclusion in the next few months of transatlantic Open Skies talks, a vital element in his view of providing stability to the current international airline alliance system. While Air France understands that the U.S. will offer little new on ownership and control issues, it is important that an agreement "go beyond the June 2004 text" in the areas of competition, state aids and security.

AVIATION SECURITY

¶13. (U) The Ambassador hosted Air France President Jean-Claude Spinetta for breakfast at the residence October 20. Joining Spinetta were Dominique Patry, AF Executive VP for International Affairs, and Guy Tardieu, Spinetta's Chief of Staff. DCM and Econ M/C also attended.

¶14. (SBU) Without referring specifically to recent correspondence with the Ambassador over a July 2005 No Fly case (reftel), Spinetta indicated that flight diversions and cancellations impose considerable costs on Air France, and can have a negative impact on Air France's reputation among the traveling public. Spinetta expressed again particular concern that, in the July No Fly case, a DHS official made a public statement placing blame on Air France for the incident. He hoped that we could avoid dealing with these issues in the press and focus on ensuring that the systems in place operate as efficiently as possible. (Comment. While Air France claims that it was not at fault in the July case, it does accept fault for missing a No Fly passenger on a subsequent August flight. Its software failed to catch a one-letter difference in a passenger's surname. End Comment.)

¶15. (SBU) Spinetta stated that Air France is committed to making the No Fly system work. Air France will be fully operational on APIS-plus (Automated Passenger Information System) passenger data by January 26, 2006, and he hoped that the USG could accommodate Air France's timetable for putting in place the necessary software and procedures. Notably, Spinetta volunteered to have Air France serve as an overseas pilot airline in testing the proposed new Secure Flight system, which would have airlines provide passenger data to Washington 60 minutes prior to departure time, with Washington, rather than the airlines, performing the No Fly/Selectee name checks. The Ambassador welcomed Air France's interest, and emphasized the importance of making the No Fly system work efficiently.

¶16. (U) Spinetta and Tardieu outlined continuing problems that Air France is having with its unions over U.S. visa requirements. Air France has some 18,000 crew members (cabin and cockpit), the majority of whom need visas for possible service on U.S.-bound flights. Unions argue that the minimum half-day required to appear at the Embassy should be compensated as time worked. Air France has resisted, and has asked the Embassy whether off-site (i.e., airport) applications could be taken on a periodically scheduled basis. Econ M/C reiterated earlier explanation that the personal appearance requirement (including to collect biometric fingerprint data) could not be waived. As yet, no portable technology exists to collect such data off-site. Both sides speculated that, in the future, mutual recognition of identity authentication might permit governments to recognize/accept secure biometric data

collected by other governments, but that is unlikely to be a near-term solution.

¶7. (SBU) In a side conversation with Econ M/C, Patry and Tardieu reiterated that Air France is ready to implement fully the Selectee List emergency amendment, but awaits GOF authorization to do so in France. (Air France already uses the Selectee List actively for its U.S.-origin flights, but insists it can only do so for France-origin flights when authorized by the GOF.) The GOF has hesitated in providing authorization, following questions over No Fly-related diversions of Air France flights this summer. Econ M/C noted, as efforts to overcome this hesitation, the recent visit of a GOF delegation to Washington to consult with DHS on the No Fly/Selectee system, and the visit to Paris this week of Terrorism Screening Center Director Donna Bucella.

TRANSATLANTIC AVIATION NEGOTIATIONS

¶8. (SBU) Spinetta emphasized the importance Air France attaches to successful conclusion of transatlantic aviation negotiations. International airlines are coalescing around three great alliances: Skyteam, OneWorld and Star. A liberal aviation regime between the U.S. and Europe is fundamental to the long-term stability of this system. In addition, Air France, recently merged with KLM, would like to extend its current cooperation with Delta Air Lines to KLM's partner Northwest Air Lines. (Comment. Spinetta made no mention of DOJ recent negative opinion on Air France's antitrust immunity application, but implicit in his statements was recognition that transatlantic Open Skies was a precondition to such cooperation. End Comment.)

¶9. (SBU) British Air's stranglehold over Heathrow Airport remains the tough nut to crack. In order to achieve this, Spinetta argued that a new agreement must include "more than the June 2004 package". Dominique Patry noted that Air France understands that the USG presently can offer little on ownership and control, not even the offer included in the June 2004 package (up to 49% foreign ownership). European carriers also are prepared to forego "symbolic" points, such as cabotage. If EU Transport Ministers are to bring the British along, however, they will have to be able to point to specific progress in areas such as competition, state aids, and security. A mere commitment to future talks on these issues will not in itself be sufficient. There must be some agreement on basic concepts. On competition, for example, there must be greater convergence between Washington and Brussels in anti-trust immunity cases, particularly on procedural timeframes and basic market concepts.

¶10. (SBU) Spinetta stated that Dutch authorities, with whom he meets regularly, are strong proponents of a new agreement, like KLM. Germany will also be on board, although the present governmental situation renders the German voice quiet at the moment. On the question of Heathrow slots, Spinetta indicated that alliance carriers could help one another, perhaps reducing the scale of needed slot divestiture by BA. Air France, for example, could give a Heathrow-Paris slot to Delta for use on a transatlantic flight, substituting London-Paris Eurostar train service. The Heathrow situation will be helped considerably by the completion of BA's new Heathrow Terminal in 2008.

U.S. AIRLINE HEALTH

¶11. (SBU) Spinetta seemed relatively optimistic that U.S. airlines will be able to reorganize and emerge from the threat of bankruptcy. He noted that USAir, which recently emerged from Chapter 11, is now a lower-cost carrier than even Southwest Airlines. Spinetta met recently with Northwest's CEO, and came away impressed with that airline's cost-cutting plans. He noted wistfully that in Europe managers of failing enterprises get fired; they don't get the chance to reorganize. Also, unlike in the U.S., European judges cannot redefine worker/retiree entitlements, as is sometimes the case in Chapter 11 proceedings.

COMMENT

¶12. (SBU) Spinetta continues to voice frustration with the burdens of the No Fly system, and the costs it often imposes on Air France. However, Air France remains committed to making the system work, and the airline's willingness to be a testbed for Secure Flight procedures should be encouraged.

¶13. (SBU) On aviation liberalization, Air France will be one of our best allies in Europe. The nightmare scenario for Air France is a collapse of talks, and a successful Commission challenge next year to bilateral Open Skies agreements in the European Court of Justice. With so much riding on the Skyteam alliance and its recent merger with KLM, a US/EU negotiation failure could end quickly what has

been a succession of good years for Air France.
STAPLETON